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Message Text

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PAGE 01 CARACA 10372 032215Z

67
ACTION ARA-10

INFO OCT-01 AF-06 EUR-12 EA-07 NEA-10 ISO-00 IO-10 CIAE-00

DODE-00 PM-04 H-02 INR-07 L-03 NSAE-00 NSC-05 PA-01

PRS-01 SP-02 SS-15 USIA-06 ERDA-05 AID-05 CEA-01

CIEP-01 COME-00 EB-07 FPC-01 INT-05 OMB-01 SAM-01

OES-03 STR-04 TRSE-00 FEA-01 /137 W
---------- 117921
P 032111Z OCT 75
FM AMEMBASSY CARACAS
TO SECSTATE WASHDC PRIORITY 420
INFO AMEMBASSY ABU DHABI
AMEMBASSY ALGIERS
AMEMBASSY DOHA
AMEMBASSY JAKARTA
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY LAGOS
AMEMBASSY LIBREVILLE
AMEMBASSY QUITO
AMEMBASSY TEHRAN
AMEMBASSY TRIPOLI
AMEMBASSY VIENNA

C O N F I D E N T I A L CARACAS 10372

EO 11652 GDS
TAGS: ENRG VE
SUBJ: GOV PROCEEDING SLOWLY IN IMPLEMENTATION OF OPEC
PRICE INCREASE
1. VENEZUELAN OPEC GOVERNOR, ALBERTO FLORES, TOLD PETROLEUM
ATTACHE OCT 3 THAT HE HOPED TO HAVE NEW OIL TAX EXPORT
VALUES (TEVS) READY FOR PUBLICATION NEXT WEEK, REFLECTING THE
TEN PERCENT OPEC INCREASE. WHENEVER THE TEV'S ARE ISSUED IN
OFFICIAL GAZETTE, THEY WILL BE RETROACTIVE TO OCT 1.
THIS IS NORMAL VENEZUELAN PATTERN. OPEC PRICE INCREASES
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APPROVED IN DEC 1974 WERE NOT ANNOUNCED BY GOV UNTIL

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JAN 21, BUT WERE RETROACTIVE TO JAN 1.

2. AS IT TURNED OUT, THE GOV MISCALCULATED ON ITS JANUARY 1975 TEV'S FOR LOW SULPHUR RESIDUAL FUEL OILS. THE TAX PAID COST OF THESE OILS MADE THEM UNCOMPETITIVE,AND REFINERY THROUGHPUT AND EXPORT SALES OF THE RESIDUALS DECLINED SHARPLY DURING THENINE MONTH PRICE FREEZE. DURING THAT PERIOD, THE MINES MINISTRY SERIOUSLY CONSIDERED ADJUSTING DOWNWARD THE RESIDUAL TEVS. A DECISION WAS MADE TO LEAVE THE JANUARY LEVELS INTACT UNTIL THE OPEC MEETING. THE GOV APPARENTLY FELT THAT A TAX (I E PRICE) ADJUSTMENT WOULD BE CRITICIZED BY OPEC,AND THAT IT WAS MORE IMPORTANT TO MAINTAIN UNITY BEFORE THE CRUCIAL SEPTEMBER MEETING. ALSO, THE MINES MINISTRY FELT THAT A DOWNWARD PRICE ADJUSTMENT COMING IN LATE SPRING OR SUMMER WOULD NOT SIGNIFICANTLY HELP BOOST SALES SINCE THE SEASONAL DEMAND FOR THESE PRODUCTS WOULD NOT BEGIN UNTIL SEPTEMBER.

3. SETTING THE NEW TEVS THIS TIME INVOLVES MORE THAN JUST BEING SURE THE REFINERY PRODUCTS ARE COMPTETITIVE. THE TEVS TO BE PUBLISHED SHORTLY WILL, IN FACT, SET THE PRICE LEVELS AT WHICH PETROVEN MUST (OFFICIALLY) SELL OIL UNTIL JUNE 1976. THEREFORE, THE PUBLISHED TEVS MUST BE ESTABLSHED ON THE BASES OF 1) THE OPEC TEN PERCENT INCREASE; 2) THE OIL SALES CONTRACTS FOR THE POST-NATIONALIZATION PERIOD NOW BEING NEGOTIATED BETWEEN THE GOV AND THE CONCESSIONAIRES; AND 3) THE MARKET PRICE FOR REFINED PRODUCTS, WHICH AFFECTS POTENTIALLY ONE-HALF OF VENEZUELAN OIL EXPORTS.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, POLICIES, EXPORT PRICES, EXPORT CONTROLS
Control Number: n/a
Copy: SINGLE
Draft Date: 03 OCT 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975CARACA10372
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750344-0574
From: CARACAS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751085/aaaacxkj.tel
Line Count: 90
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 04 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <04 APR 2003 by SmithRJ>; APPROVED <18 NOV 2003 by CunninFX>
Review Markings:

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US Department of State
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Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GOV PROCEEDING SLOWLY IN IMPLEMENTATION OF OPEC PRICE INCREASE
TAGS: ENRG, VE, OPEC, (FLORES ALBERTO)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006